

National Bulletin: 440-5-4

September 29, 2005

Subject: PGM – Request Prior Year Allowances For Those Programs Administered Through ProTracts

Action Required By: October 21, 2005

Purpose. To establish a process for requesting prior year allowances for those programs administered through ProTracts (AMA, EQIP, GSWC, WHIP, and Klamath Basin) and announce other changes being made to maintain alignment between the NRCS accounting and contracting systems.

Expiration Date. September 30, 2006

Background. Prior-year allocations in the Foundation Financial Information System (FFIS) are normally set equal to obligations during the first quarter of each fiscal year in order to maintain internal controls and funds management. Allocations in ProTracts will also be adjusted to maintain alignment with FFIS obligations as of September 30th for all fiscal years through 2005. As obligations are liquidated by payments, upward and downward spending adjustments will occur. Downward spending adjustments (payments that are less than the amount obligated) frees up funds to cover upward spending adjustments (payments that exceed the amount obligated). However, there may be instances when an allowance holder needs to request additional funding for a prior year. The most common reasons that an allowance holder may need to request a prior year allocation are—

1. A contract was signed by September 30th of the budget fiscal year that the money was made available for obligation, but was not properly recorded in FFIS;
2. A contract was properly recorded in FFIS, but the obligation amount was incorrect; or
3. A large number of contracts experiencing a cost overrun (contract obligation increases without a change in scope of the project).

The last two circumstances require a contract modification using funds from the same budget fiscal year and fund to cover the cost (obligation) increase. If the current balance of unobligated funds in FFIS is not sufficient to cover a contract modification, the State Conservationist must request an allowance change. This bulletin describes the allocation change process for prior year funds. Allocation changes for prior year accounts in AMA, EQIP, GSWC, WHIP, and Klamath Basin are currently being processed using the following steps:

1. State Conservationists e-mail each allowance change request to Debbie.curtis@wdc.usda.gov, with a copy to the Regional Assistant Chief and National Program Manager. Each request must identify the budget fiscal year, fund (program), amount needed, and reference the contract number(s) being modified.
2. Debbie Curtis completes page one of form FNM-NHQ-3 (Allocation Request) and processes the request for

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- approval by the Deputy Chief for Programs and the Associate Chief.
3. The Financial Management Division adjusts the allocation in FFIS and notifies the Information Technology Center (ITC) to make the corresponding adjustments in ProTracts. Debbie Curtis also receives this notification and alerts the State Conservationist when FFIS adjustments are complete.
 4. ITC manually enters the allocation adjustments in ProTracts. The manual entry process in ProTracts will be completed within two (2) business days after FFIS entry.

The attached table summarizes the FY 2006 allocation strategy for prior year accounts. Several changes to the allocation process are planned for FY 2006. These include—

- An electronic link will be made between FFIS and ProTracts so all allocation changes made in FFIS will trigger an update in ProTracts. This will eliminate any differences between the systems due to miscommunication or entry error. Any changes made in FFIS should be available at the beginning of the next business day in ProTracts.
- Prior-year cost overrun accounts will be established through an allocation process for each budget fiscal year and fund. State Conservationists will be expected to operate within these allocations similar to the requirements for current-year fund allocations.
- Additional internal controls will be added to ProTracts that monitors modifications and requires State program manager review and approval for all contract modifications that exceed a threshold value. We are proposing use of a national threshold of either 10 percent of the contract obligation or a 10,000 dollar obligation increase. **We welcome State feedback on setting this threshold value.** Send your suggestions to harry.slawter@wdc.usda.gov October 21, 2005.
- A mid-year assessment to evaluate the use of Cost Overrun Accounts by States.

The series of actions outlined in this bulletin are designed to accomplish the following:

- Reduce the number of allocation change requests coming from States.
- Reduce potential for abuse of the cost overrun account for funding modifications that involve a change in contract scope.
- Provide State Conservationists with both the flexibility and accountability for managing contract modifications according to the guidance located in Part 512, Section 512.50 of the Conservation Programs Manual.
- Respond to concerns raised by the Office of Inspector General during a recent audit of ProTracts.

Contact. Questions concerning the prior-year allocation process, managing modifications, or alignment between FFIS and ProTracts may be directed to the Programs Tool Team Leader (202) 720-9483, or a member of the Financial Management Division staff at (202) 720-0856.

/s/

THOMAS W. CHRISTENSEN
Deputy Chief for Programs

/s/

P. DWIGHT HOLMAN
Deputy Chief for Management

[Attachment](#)